



United States
Department of
Agriculture

Food and
Nutrition
Service

Mountain
Plains
Region

1244 Speer Boulevard
Denver, CO 80204

Reply to
Attn. of: SP 94-C-12

NOV 8 1993

Subject: A La Carte Food Service Under Food Service Management Companies (FSMCs)

To: STATE AGENCY DIRECTORS - Colorado ED, Iowa, Kansas, Missouri ED,
(Special Nutrition Programs) Montana OPI, Nebraska ED, North Dakota,
South Dakota, Utah, Wyoming ED

FSMCs typically look to a la carte meal service as an important source of revenue. Contracts between school food authorities (SFAs) and FSMCs must carefully address issues relating to a la carte operation and compensation for the FSMC. Below are two issues which have arisen in the past in FSMC contracts.

1. "Meal Equivalency" formula. FSMC contracts frequently specify some form of the "meal equivalency" method of determining the payment of management fees to the FSMC for a la carte sales. This method involves dividing total a la carte sales figures by a fixed "meal equivalent" amount, and that amount is frequently the price charged for a fully paid reimbursable lunch.

The concern of our Agency is that this or any other method of compensation not have a harmful effect on National School Lunch Program (NSLP) participation. Thus, in an effort to preclude the promotion of a la carte sales over NSLP sales, we suggest that the meal equivalent conversion factor that is utilized should be, at a minimum, equal to the national average payment factors for a free lunch, rather than the price charged to the child paying the full lunch price. Please note that this methodology is only a suggestion.

2. All A La Carte Proceeds to FSMC. Instances have been found of contracts entered into by SFAs with FSMCs which stipulated that the FSMC was to retain all proceeds from a la carte service. The retention of such proceeds is contrary to Part 210.11 (b) of the NSLP regulations, dealing with competitive foods, which stipulates that the sale of competitive foods in the food service area during the lunch period may be allowed only if all income from the sale of such foods accrues to the benefit of the nonprofit school food service or the school or student organizations approved by the school. Such a contract provision also violates a regulatory prohibition against permitting any "cost-plus-a-percentage-of-income" arrangement for the FSMC.

Please contact our office if you have any questions.

Ann C. Hector

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Regional Director
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